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CIA Labors to Cover Scandal

The CIA is engaged in a desperate effort to cover tracks that lead from the spy agency to a Honolulu-based investment company now under federal and state investigation.

The company has been accused of bilking investors of \$22 million since 1979.

My associates Indy Badhwar and Dale Van Atta have been investigating the scandal. Sealed testimony charges that the CIA—with the knowledge of the Justice Department, which is prosecuting the investment company's executives—"has been hiding persons and changing the identity of other persons" who could give embarrassing testimony in the trial.

The damage-control operation is aimed at limiting the CIA's liabilities, financial and political, that could come from its clandestine involvement with the investment firm of Bishop, Baldwin, Rewald, Dillingham & Wong. The company's assets were frozen last year, and it has been placed under trusteeship in response to a bankruptcy petition and investor complaints.

The firm's chief executive, Ronald Ray Rewald, was jailed on charges of fraud; he was unable to raise the \$10 million bail—the highest ever set in Hawaii. Rewald claimed that he was running BBRD&W for the CIA. The agency denied it. So Rewald responded with a 54-page affidavit and 95 supporting exhibits showing that the investment firm was a CIA front.

Rewald lays the blame for the company's difficulties on the CIA, which has acknowledged a "low-level" involvement with BBRD&W.

But confidential documents and interviews with sources make it clear that the CIA's involvement goes deeper. Here is what I've learned:

- After I first broke the scandal last week, CIA officials were forced to confirm that the agency ran a covert surveillance operation aimed at foreign students at the Hawaiian branch of Brigham Young University. A CIA agent recruited Rewald's son, Jimmy, to become a student at the university, to tail Chinese students on campus and to pilfer their records. A subsidiary of BBRD&W paid for and ran young Rewald's operation.

- Intelligence sources have confirmed that at least six CIA agents worked for BBRD&W. Several invested money in the firm. After it collapsed, the CIA ran an internal investigation that resulted in the dismissal of one agent and disciplinary action against others.

- Former CIA director Stansfield Turner knew about BBRD&W and used the company's chauffeured limousine on at least one visit to Honolulu.

- The CIA told a grand jury that it paid \$3,000 for BBRD&W's telephone, telex and printing bills. It had to. The FBI has copies of checks to Rewald from the CIA's onetime Honolulu station chief, Jack Kindschi, who became a BBRD&W director when he retired from the agency.

- A source close to Lt. Col. James (Bo) Gritz revealed that funds for his ill-starred covert operation to locate American prisoners-of-war in Laos were paid through BBRD&W. The firm's files also contain a letter from a former deputy director of the Defense Intelligence Agency which indicated that there was Pentagon support for the Gritz mission.